

Message Text

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ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 EB-11 COME-00 CIAE-00 INR-10

NSAE-00 RSC-01 USIA-15 DRC-01 /078 W

----- 121545

R 141000Z NOV 73

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 8714

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

USLO PEKING

C O N F I D E N T I A L HONG KONG 11452

NOFORN

E.O. 11652: XGDS-2

TAGS: ETRD CH US JA FR GW

SUBJECT: KWANGCHOW TRADE FAIR--AN INTERIM ASSESSMENT

SUMMARY: US ATTENDANCE AT THE KWANGCHOW TRADE FAIR HAS REACHED A NEW HIGH, OVER 200 AMERICANS REPRESENTING MORE THAN 130 FIRMS. US PURCHASES HAVE EXCEEDED US\$20 MILLION AND US SALES ARE ESTIMATED AT MORE THAN US\$10 MILLION. PROSPECTS FOR AN OVERALL RECORD FAIR REMAIN UNCERTAIN IN LARGE PART BECAUSE OF THE DROPOFF IN JAPANESE BUSINESS, BOTH WAYS. A FAIR OFFICIAL HAS SAID THAT THE SPRING 72 FAIR EXCEEDED THE FALL 72 ONE AND THAT THIS COULD BE THE CASE AGAIN THIS YEAR. END SUMMARY

1. CONGEN HAS RECEIVED THE FOLLOWING REPORT FROM C/E OFFICERS ROPE AND PERITO AT THE KWANGCHOW TRADE FAIR.

2. BY THE FINAL WEEK OF THE FAIR, US ATTENDANCE HAS REACHED AN ALL TIME HIGH WITH OVER 200 AMERICANS REPRESENTING
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SENTING MORE THAN 130 FIRMS. US REPRESENTATION HAS BEEN

PARTICULARLY STRONG FROM RETAIL STORES, CHEMICAL AND OIL COMPANIES AND TEXTILE IMPORTERS. SEVERAL MAJOR US FIRMS INCLUDING CALTEX, WESTINGHOUSE, KAYSER AND DRESSER INDUSTRIES HAVE HAD PRELIMINARY TECHNICAL DISCUSSIONS WITH TECHIMPORT ON FUTURE SALE OF PLANT AND EQUIPMENT. CALTEX AND WESTINGHOUSE HAVE BEEN INVITED TO PEKING FOR FURTHER DISCUSSIONS. OVERALL, THIS HAS BEEN THE BEST FAIR FOR US BUYERS. ACCORDING TO FAIR DEPUTY SECRETARY PENG TING-TO, US PURCHASES HAVE EXCEEDED \$20 MILLION WITH US BUYING PARTICULARLY HEAVY IN GUM ROSIN, FIRECRACKERS AND COTTON TEXTILES. ALTHOUGH PENG FAILED TO PROVIDE INFORMATION ON US SALES, USLO AND CONGEN OFFICERS AT THE FAIR ESTIMATE THEM AT BETTER THAN \$10 MILLION/ THIS INCLUDES SALES OF US TALLOW, PETROCHEMICALS AND SHOE MANUFACTURING MACHINERY.

3. OVERALL ATTENDANCE BY BUSINESSMEN AT THIS FAIR IS APPARENTLY DOWN, WITH CANADIAN, WEST EUROPEAN AND JAPANESE REPRESENTATIVES ALL REPORTING LOWER ATTENDANCE THAN AT THE SPRING FAIR. THIS APPEARS TO BE DUE TO SHARP INCREASES IN CHINESE PRICES AT THE SPRING FAIR WHICH CAUSED SMALL FIRMS OR THOSE NOT LARGELY INVOLVED IN PRC TRADE TO STAY AT HOME OR TURN THEIR BUSINESS OVER TO LARGER TRADING COMPANIES. THE CHINESE HAVE ALSO ADOPTED A POLICY OF RESTRICTING THE NUMBER OF REPRESENTATIVES FROM HONG KONG, JAPANESE AND SOME WESTERN EUROPEAN FIRMS WHICH HAS CONTRIBUTED TO LOWER ATTENDANCE.

4. JAPANESE BUSINESSMEN HAVE HAD A DISAPPOINTING FAIR WITH SEVERAL FACTORS CONTRIBUTING TO A DROPOFF IN BOTH SALES AND PURCHASES. IN CHEMICALS, JAPANESE SALES HAVE FALLEN OFF SHARPLY DUE TO LACK OF SUPPLY AND DESPITE CHINESE APPARENT WILLINGNESS TO BUY EVEN AT HIGH PRICES. HIGH PRC PRICES AND LARGE JAPANESE STOCKPILES HAVE CONTRIBUTED TO SHARP DEOP IN JAPAN'S PURCHASES OF SOYABEANS (SO FAR ONLY 20,000 TONS), GARMENTS AND RAW SILK WHILE LOW CHINESE PRICES OFFERED HAVE INHIBITED SALE OF JAPANESE STEEL BEARINGS, USUALLY AN IMPORTANT ITEM.

5. ON THE POSITIVE SIDE, TRADERS FROM WESTERN EUROPE HAVE APPARENTLY HAD A GOOD FAIR. GERMAN CHEMICAL DEALERS REPORT

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LARGE SALES DESPITE CURRENT HIGH PRICES WITH CHINESE ASKING FOR THREE YEAR CONTRACTS WITH PRICES TO BE NEGOTIATED AT TIME OF SHIPMENT. ONE FRENCH FIRM, SOPROMO, HAS REPORTED THE SALE OF OVER \$6 MILLION WORTH OF SHOE MANUFACTURING EQUIPMENT, MOST OF WHICH WILL BE SUPPLIED BY THE UNITED SHOE COMPANY (AN AMERICAN FIRM). BRITISH TRADERS ALSO HAD A POSITIVE FAIR, CONCLUDING SEVERAL DEALS WHICH BEGAN WITH THE UK EXHIBITION IN PEKING IN APRIL. YUGOSLAVIA REPORTS A

RECORD FAIR WITH TOTAL BUSINESS AT \$33 MILLION BOTH WAYS.

6. WITH DROPOFF IN JAPANESE BUSINESS, PROSPECTS FOR A
RECORD FAIR APPEAR UNCERTAIN. IN INTERVIEW WITH VOA
CORRESPONDENT SCHULTZ, FAIR DEPUTY SECRETARY GENERAL
SUN FANG SAID THAT IN BREAK WITH TRADITION BUSINESS DONE
AT 1972 SPRING FAIR SURPASSED THAT DONE IN FALL 1972.
THIS COULD BE THE CASE AGAIN THIS YEAR. FINAL ESTIMATED WILL,
HOWEVER, HAVE TO WAIT COMPLETION OF FINAL FEW DAYS TRADING
AND THE IMMEDIATE POST-FAIR PERIOD WHEN ADDITIONAL BUSINESS
MAY BE TRANSACTED.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE PROMOTION, TRADE FAIRS, INTERNATIONAL EXPOSITIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973HONGK11452
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X2
Errors: N/A
Film Number: n/a
From: HONG KONG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731135/aaaaazkr.tel
Line Count: 127
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 30 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30-Jul-2001 by kellew0>; APPROVED <19-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KWANGCHOW TRADE FAIR--AN INTERIM ASSESSMENT SUMMARY: US ATTENDANCE AT THE KWANGCHOW TRADE FAIR HAS
TAGS: ETRD, CH, US, JA, FR, GE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005